

Glossary of Terms for “Finance in Fiction”

(Definitions derived from econedlink.org unless otherwise specified)

Income - Payments earned by households for selling or renting their productive resources. May include salaries, wages, interest and dividends.

Money - Anything that is generally accepted as final payment for goods and services; serves as a medium of exchange, a store of value and a standard of value. Characteristics of money are portability, stability in value, uniformity, durability and acceptance.

Earnings - Money received for work performed; may include salary, wages, tips, professional fees, commissions, etc

Saving – (makeitcount.ca) Money put aside in an account to accumulate as a reserve for future needs

Spending – to use money immediately to buy goods and services

Investing – (makeitcount.ca) To commit money for financial gain, with the expectation that it will provide income, increase in value or both.

Budget - A spending-and-savings plan, based on estimated income and expenses for an individual or an organization, covering a specific time period.

Credit - (makeitcount.ca) the ability to borrow money or charge purchases to an account before paying for an item or service

Borrowing - To receive and use something belonging to somebody else, with the intention of returning or repaying it--often with interest in the case of borrowed money.

Risk – (makeitcount.ca) amount of uncertainty about the expected return from an investment. This includes the possibility that the investment may lose money or become worthless.

Risk/Reward Ratio As applied to investments: the greater the risk, the greater the potential reward. For example: passbook savings accounts offer depositors very low risk but also low rates of interest; growth stocks are much riskier, but they offer a potential for big gains.

Compound interest – Interest that is paid on the original amount deposited and on any interest that has been earned in previous period (e.g.: in Year 1 the financial institution pays you \$5 interest on your \$100 deposit. In year 2, it pays you interest on \$ 105)

Pensions - An account established by a business to fund retirement benefits for its workers. Pension funds invest in stocks, bonds, mutual funds and real estate.

Insurance - A practice or arrangement whereby a company provides a guarantee of compensation for specified forms of loss, damage, injury or death. People obtain such guarantees by buying insurance policies, for which they pay premiums. The process allows for the spreading out of risk over a pool of insurance policyholders, with the expectation that only a few policy holders will actually experience losses for which claims must be made. Types of insurance include automobile, health, renter's, homeowner's, disability and life.

Taxes - Compulsory payments to governments by households and businesses

Planning ahead - Thoughtful, deliberate spending, reflecting a consumer's judgment that the benefits to be obtained warrant the costs to be paid.